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TAGS: [PGOV](#) [PREL](#) [KCRM](#) [ECON](#) [KZ](#)  
SUBJECT: KAZAKHSTAN - GOVERNMENT TAKING FURTHER MEASURES  
AGAINST RAKHAT ALIYEV IN WAKE OF WSJ ARTICLE

Classified By: Pol/Econ Chief Steven Fagin, Reasons 1.4 (b) and (d)

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SUMMARY  
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1. (C) A Wall Street Journal article in which Rakhat Aliyev made new charges of corruption against President Nazarbayev and his family appears to have provoked the government to strike back with an anti-Aliyev media campaign and a threat of new charges against him. Some of Aliyev's allegations to the Journal appear to be unsubstantiated. Prime Minister Masimov called in the Ambassador to explain that one claim in the article about his own business interests was true, but had been listed on his public disclosure forms. End Summary.

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ALIYEV PROVIDES "NEW DETAILS" ON CORRUPTION  
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2. (C) A July 22 Wall Street Journal (WSJ) article bills itself as providing "new details" on the corruption of President Nazarbayev and his family. The article, which is entitled "Kazakhstan Corruption: Exile Alleges New Details," relies heavily on an interview with and documents provided by ex-Nazarbayev son-in-law Rakhat Aliyev, the sole named source. Aliyev claimed to the Journal that Nazarbayev holds vast hidden ownership stakes in various Kazakhstani industries, takes illicit commissions from firms doing large-scale business in Kazakhstan, controls a large network of off-shore bank accounts, and hired a consulting firm to burnish his image in the West and "spy" on his political rivals and enemies abroad. In reality, Aliyev did not substantiate with documentary evidence some of his most significant "revelations" -- e.g., that Nazarbayev secretly owns nuclear company Kazatomprom through offshore entities. (Comment: We do not see how Nazarbayev could own a state enterprise in which the government is the 100 percent shareholder. End Comment.) It is also unclear whether the activities of the consulting firm -- a main focus of the article -- were in any way illegal.

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MASIMOV: BUSINESS INTEREST WAS FULLY DISCLOSED  
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3. (C) Immediately after the article was published on July 22, Prime Minister Masimov called in the Ambassador for a tete-a-tete to discuss it just prior to Masimov's scheduled meeting with visiting Special Envoy for Eurasian Energy Issues Boyden Gray. Masimov noted that the article claims that he is a co-owner of a Singapore-based company together with a Kazakhstani banker named Aigul Nuriyeva who, according to the article, helps manage the Nazarbayev family finances. Masimov explained to the Ambassador that his share in this company is not a secret, as the asset is listed on his

financial disclosure forms.

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MEDIA CAMPAIGN AND NEW CHARGES AGAINST ALIYEV  
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14. (C) The Journal article appears to have provoked a new Kazakhstani government move against Aliyev. On July 29, anti-Aliyev articles appeared simultaneously in three Kazakhstani newspapers: government-owned Kazakhstanskaya Pravda; privately-owned, centrist, populist Vremya; and privately-owned, largely pro-government Litr. The Kazakhstanskaya Pravda opinion piece explained that articles sometimes appear in the foreign press based on "cock and bull stories" from the "turncoat" Aliyev, who wraps himself in democratic clothing, trying to use it to cover up his unprecedented crimes. Quite unusual for Kazakhstanskaya Pravda, the piece cited opposition leader Zharmakhan Tuyakbay, who remarked that today one could easily form a whole club of those aggrieved by Aliyev. The Vremya article noted that the "Vienna recluse" continues to carry out his war of kompromat, bombarding the Kazakhstani and international media with his newest "revelations." It contended that there is a danger that Aliyev will be turned into some kind of Boris Berezovskiy, becoming the principal Kazakhstani "democrat" in the eyes of western society. Most significantly, the Litr article detailed the history of Aliyev's "corporate raiding" -- i.e., his obtaining control of businesses for free or at below market prices by threatening and blackmailing the businesses' owners.

15. (U) The following day, July 30, the Interfax newswire reported that according to a reliable source, the National

Security Committee (KNB) was investigating a new case against Aliyev and his associates -- this time, on charges of "corporate raiding." The source claimed that the money generated from the "raiding" was used by Aliyev for his preparations to overthrow the government -- a crime he was convicted of in March.

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COMMENT  
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16. (C) The Wall Street Journal piece raises a broader policy question: what impact do such allegations of corruption about Nazarbayev and his family (and the reality that may stand behind them) have on Kazakhstan's political stability? The fact of the matter is that in the wake of Aliyev's demise, Nazarbayev took relatively quick action to ensure that his family would be less of a source of political friction. Daughter Dariga Nazabayeva essentially disappeared from the political scene. (Note: She had been a member of parliament and head of a separate political party, Asar. After the forced merger of Asar with Nur Otan, she was a deputy chair of the combined party. She was not elected to the new parliament in August 2007 and is no longer in the Nur Otan leadership. End Note.) Remaining son-in-law Timur Kulibayev was removed from his position as deputy head of the Samruk state holding company (which owns state oil and gas company KazMunaiGas). At present, Kulibayev's only position is as head of KazEnergy -- an industry association of oil and gas companies -- though admittedly, he has been raising his profile in recent months. At this juncture, no Nazarbayev relative would appear to have an inside track, or even much of a chance, to succeed him as president.

17. (C) Comment continued: Of additional note, despite the first family's accumulation of assets, Nazarbayev has done quite a good job ensuring that the country's burgeoning wealth is shared with other elite clans and factions -- not to mention the fact that there has been a very significant reduction in the country's poverty rate over the past ten years, from roughly 50 percent of the population to the current level of 9 percent. It is even still possible -- though rare -- for the super rich to flirt with the opposition camp, as in the case of Bank TuranAlem head

Mukhtar Ablyazov and Kazkommertsbank owner Nurzhan Subkhanberdin. Finally, to nip public discontent in the bud, the government has been more aggressively addressing the issue of official corruption. Cynics, of course, might say that recent anti-corruption campaigns have less been a move forward toward the rule of law, and more a tool deployed to promote specific political or economic interests. However, the Presidential Administration's polling, like ours, undoubtedly shows that corruption has emerged over the past few years as a major public concern. End Comment.

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